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1. INTRODUCTION

What is Digital Transformation?

Digital Transformation is far beyond just moving from traditional banking to a digital world. It is a vital change in how banks and other financial institutions learn about, interact with and satisfy customers.

An efficacious Digital Transformation begins with an understanding of digital customer behavior, preferences, choices, likes, dislikes, stated as well as unstated needs, aspirations etc. and this transformation leads to the major changes in the organizations, from product-centric to customer-centric view.

Four out of five financial institutions believe that digital will fundamentally change banking and completely transform the industry's competitive landscape. But according to research from the Boston Consulting Group, less than half (43%) confess they don't even have a digital strategy. And an astonishing one-in-five banking execs consider their bank or credit union "market leading" when it comes to digital

"The starting point for each financial institution will depend on its business strategy, market position and capabilities," Boston Consulting Group says. "But all must consider how they can reshape their distribution models, improve their value propositions and develop end-to-end consumer-centric journeys to increase growth and customer satisfaction."

The strategy can't be a series of one-off à la carte initiatives taken on by separate and individual business units. This is the kind of undertaking that will require banks and credit unions to stretch outside their comfort zone; instead of uncoordinated initiatives they need to tackle digital transformation as a comprehensive, enterprise-wide strategy — one that's lead from the very top by the C-suite, with the CEO firmly at the helm. Without a top-down, integrated approach that involves every aspect of the organization, traditional banking providers will struggle taking advantage of powerful new tools such as robotics, big data, AI and blockchain.

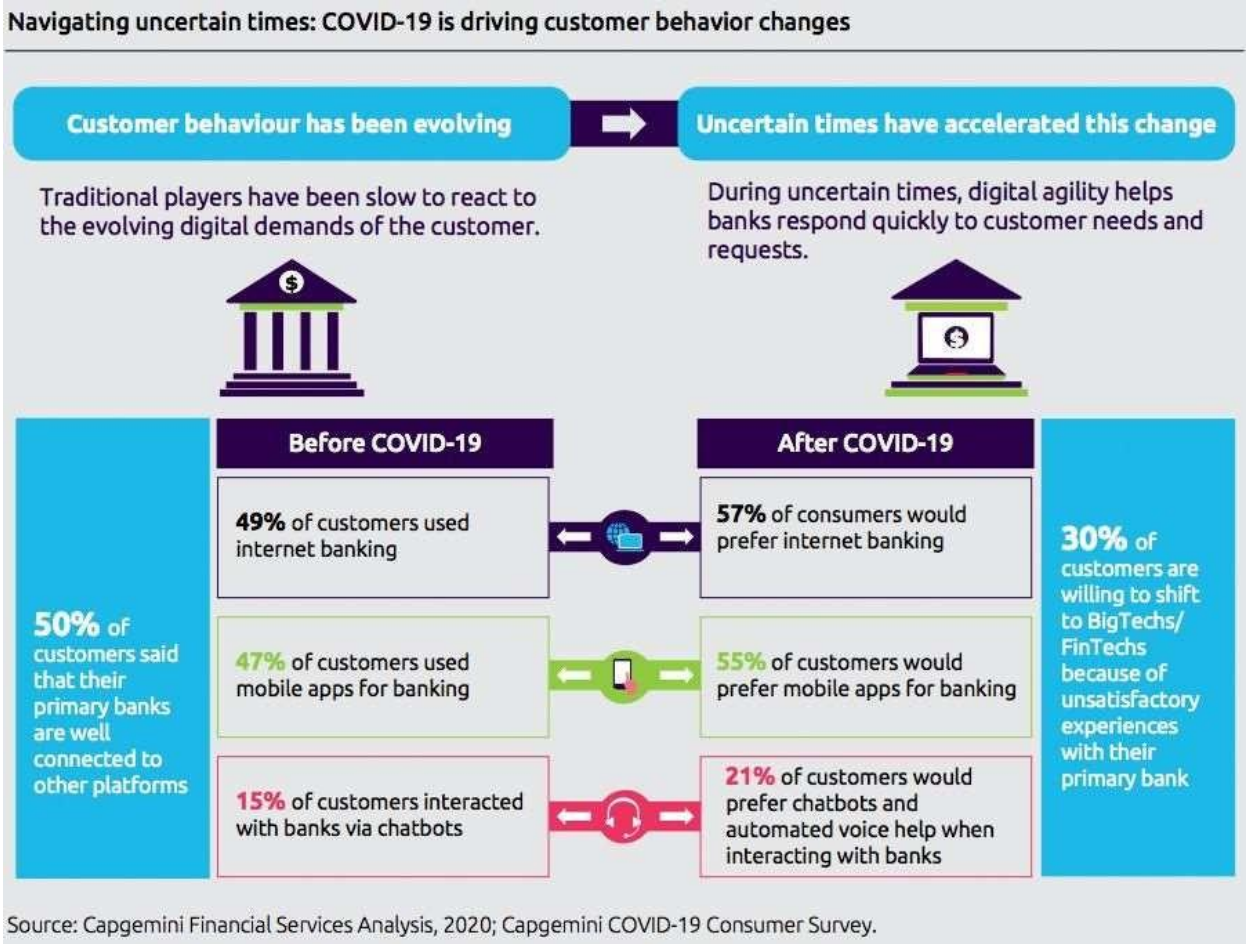
How Covid-19 has accelerated Digital Transformation?

The year 2020 threw a wrench into many plans and predictions with the sudden outbreak of COVID-19, which unsettled every human being on this planet. Digital transformation came to the rescue at such an unprecedented time. Banking, being one of the core sectors for socio-economic development, expedited adoption of digital technologies on priority as the lockdown hit.

Many public, private and even cooperative banks that cater to customers who are not digitally savvy, rushed to meet the demands of their business and customers in the new normal. Within five months, the banking industry witnessed digitalization that it had not seen in the last five years. Fintech firms went into overdrive to support the rapid adoption of technology by financial institutions in response to the pandemic. For instance, introducing video-based KYC has made it possible to onboard customers virtually, increase customer satisfaction, retain customers and reduce acquisition costs for banks.

As 2021 dawns, it will be the year when banks will start reaping the results of the digital transformation journeys started in 2020.

2020 has been a year that nobody expected. It forced businesses to get out of the comfort zones, learn and evolve. 2021 is the time to implement those leanings. There's no question that it is going to be an exciting year, one we hope will set new landmarks for the banking ecosystem


Navigating uncertain times: COVID-19 is driving customer behavior changes
Customer behaviour has been evolving
Uncertain times have accelerated this change
Traditional players have been slow to react to the evolving digital demands of the customer.
During uncertain times, digital agility helps banks respond quickly to customer needs and requests.
Before COVID-19
After COVID-19
49% of customers used internet banking
57% of consumers would prefer internet banking
47% of customers used mobile apps for banking
55% of customers would prefer mobile apps for banking
15% of customers interacted with banks via chatbots
21% of customers would prefer chatbots and automated voice help when interacting with banks
50% of customers said that their primary banks are well connected to other platforms
30% of customers are willing to shift to BigTechs/ FinTechs because of unsatisfactory experiences with their primary bank
Source: Capgemini Financial Services Analysis, 2020; Capgemini COVID-19 Consumer Survey.

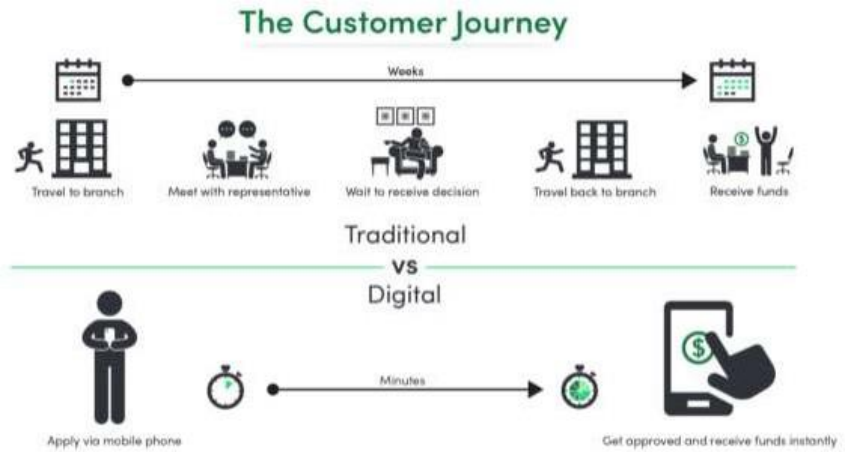
How to Digitally Transform a Bank or Financial Institution?

To build a digital transformation strategy, Boston Consulting Group recommends that banks and credit unions focus on four priorities — or pillars:

1. Reinvent the consumer journey
2. Leverage the power of data
3. Redefine the operating model
4. Build a digital driven organization.

According to Pshenichnikov (2018), in "**Influence of Financial Technologies on Changing the Model of Customer Banking Services. Theory and Practice of Service: Economics, Social sphere, Technology"** the introduction of the above technological components into the banking sector made it possible to form a new model of banking services, which is a whole ecosystem of value exchange. Its main differences from the traditional model of banking business are presented in the below table.

Distinguishing Features	**Traditional Model**	**Digital Model**
Customer service time frame	Limited. Service is carried out only at a clearly defined time	Unlimited. Possibility of round-the-clock access
The speed of customer service	Depends on the qualification and experience of the Bank employee	Immediate
Approach to service	Flexible, however, is limited to a small variety of service channels	Flexible and carried out through any convenient channel for the client
Maintenance cost	High, taking into account the Bank's costs for the personnel and maintenance of departments	Low, often services are provided free of charge
Scope of service	Limited branching of the branch network and staffing	Unlimited, can go beyond the geographical location of the banking institution
Status of the operator in the service process	Functions of the operator is performed by an employee of the Bank	Functions of the operator are performed by the Bank's client
The procedure for learning new services and promotions	Requires time and cost	Carried out quickly, via SMS and e-mail newsletter
Consumable component of the operation of the service system	The key models are articles on the staff and maintenance of departments	The key articles are articles for the purchase and maintenance of servers and software package



Source: Centre for Financial Inclusion

2. STATEMENT OF THE PROBLEM

In light of the above, there are several researches are conducted to analyze The Future of Banking through Digital Transformation, Trends and Challenges in Digital Transformation of Banks, Role of Fintech's in Digital Transformation, etc., however, there are very few researches that focus on **Why and How Change and Innovation impacts Digital Transformation in the banking/financial services sector?**

Digital Transformation impacts everything. Especially with respect to banking and financial services its impact is transformative: going far deeper than the cost-saving potential from innovative IT, or even from sourcing new revenue streams. Digital Transformation also includes taking control of your customer-experience ecosystem by managing your entire business from your customers' perspective and rethinking your legacy business model.

The research focuses on understanding the primary factors driving digital transformation:

1) **Which objectives initiate digital transformation? (Objective)**
   a) Time – example – faster services delivery, faster production etc.
   b) Finance – cost savings, revenue increase etc.
   c) Space – networking, automation etc.
   d) Quality – product quality, relationship quality, process quality

2) **Which procedure is adopted to execute digital transformation? (Procedure)**
   a) Sequence of tasks and decisions related to each other in a logical an temporal context
   b) Use of technologies/enablers to generate new applications/services
   c) Acquisitions and exchange of data including analysis and use for option calculations

3) **How intense is the degree of transformation? (Intensity)**
   a) Incremental (slight)
   b) Radical (fundamental)

4) **Who are the stakeholders of digital transformation? (Stakeholders)**
   a) Customers
   b) Own Business
   c) Partners
   d) Industry
   e) Competitors

5) **What is component which is digitally transformed? (Components)**
   a) Individual Elements (processes, customer relationships, products etc.)
   b) Entire Business Model/Operating Model
   c) Value Chains

3. REVIEW OF LITERATURE

Omarini, Anna. (2017) : the research defines, digital transformation in the banking business, laying out what banks and FinTech companies are both developing in the market, and furthermore bringing up that it won't be simply the innovation that will be the disruptor of the banking business, yet rather how firm sends the innovation that will cause the disturbance. He claims new innovations appear to be and remain in the market to upset the retail financial service esteem chain, just as bringing new players into the competitive field. Incumbents and new comers have imaginative switches to embrace.

Dr. Arunangshu Giri and Ipsita Paria (2018) : the study focuses **"A Literature Review on Impact of Digitalization on Indian Rural Banking System and Rural Economy"**. The present paper focuses on the review and summarizes various studies which were made by different researcher of different location across India on the impact of digitalization on rural banking system of India. The study found that, digital banking is having enormous potential to change the landscape of financial inclusion.

K. Hema Divya and K. Suma Vally (2018) : the study analysis, The present paper focuses on the analysis of the adoption level of the digital payment systems by customers. Primary data was collected from 183 respondents in Hyderabad. The collected data through questionnaire were analyzed by using chi-square technique. The study found that, the deployment of technology for digital payments have improved the performance of banking sector and able to achieve the motive cash less country.

Anthony Rahul Golden S. (2017) the article **entitled "An Overview of Digitalization in Indian Banking Sector".** In this article an attempt has been made to study the overview of digitalization in Indian Banking sector. Banks are not just a part of our lives but have a significant role in our daily lives. The study found that, due to the adoption of this digitalization, the banking sectors in India face some remarkable changes as well as hurdles. The study also found that, as we are in the digital era, it is not possible to avoid the growth and services or digital banking.

Santiago Carbo - Valverde (2017) the article entitled **"The Impact on Digitalization on Banking and Financial Stability"**. In this article an attempt has been made to discuss the impact of digitalization on banking activities and challenges that imposes for financial stability. The study found that, digitalization is an opportunity to reduce marginal costs and increase productivity in financial services

W. Chan Kim & A. Renee Mauborgne in their **'Blue Ocean Strategy'** show that companies can succeed not by battling competitors, but rather by creating Blue Oceans of uncontested market space. These strategic moves create value for the company, its buyers and its employees, while unlocking new demand and making the competition irrelevant. Unlike the Red Ocean Strategy, the conventional approach to business of beating competition, the "Blue Ocean Strategy" tries to align innovation with utility, price and cost propositions. Similarly, financial sector reforms have brought about significant structural changes and created several blue oceans. A manifestation of this development is reflected in the increase in bank competitiveness

Aggarwal, Vani, Nidhi Ahuja, and Varsha Yadav in their research paper **"The Role of Digitization in the Indian Banking Sector Post Demonetization** mentions that Digitization is not treated as an option in the Indian banking sector, rather it is unavoidable. Post demonetization, Government has taken numerous digital initiatives to make India digitally engaged. It is the way to turn knowledge into advanced software, which has a significant hike in the operational cost of the banks. In India, banking has come up with technological advancements offered to their customers with high quality services at a competitive edge by making huge investments in various digital initiatives.

Sharma, Priyanka in her research paper "**Impact of digitization on transaction banking in Financial Industry: An evolving landscape**" mentions that digital transformation in transaction banking is capable of reducing operational costs and overheads leading to increased revenues, improved performance, stronger regulatory controls with lower risks and collaboration opportunities for emerging economy partners such as India to benefit from their tech talent to achieve desired results.

Gupta, Nishu in "**A study towards the digitalization of Indian banking sector", Asian Journal of Multidimensional Research (AJMR) 8.2 (2019): 87-94**" mentions that, by adopting business intelligence, the Indian Banking Sector is evolving and remaining in a competitive environment. Because of technology millions of people are now accessible to financial services due to wider scope and low cost of delivery. For financial inclusion, the Indian Banking Sector is developing new banking and payment networks, digital platforms and as digital is improved there is a negative impact as well as account hacking etc. Indian banking has a paradigm change from paper to digital electronic payment system for payment

PwC (Global FinTech Report PwC, 2017) and other authors (Pertseva, 2017) interpret FinTech as a dynamic segment at the intersection of the financial services and technology sectors, in which technology start-ups and new market participants apply innovative approaches to products and services provided by the traditional financial services sector

Deliya in her research "An **explorative study on digitalized strategy for banking. IndianJournal of Applied Research**", **222-224 (2016)** says that "An enterprise-wide strategic initiative whereby the organization does a comprehensive inventory of its core business functions (e.g., Business Development, Product Development, Pricing, Positioning, Branding, Positioning, Marketing, Recruitment, Fulfillment, Customer Service, Regulatory, Compliance etc.) within the framework of the corporate strategy, to determine how and where Digital data and technology can be leveraged to achieve the organization's goals".

RESEARCH GAP:

In this study, the literature has been used to get an understanding of how the current situation looks like in the areas of interest for the study and to discover the theoretical perspectives that are of relevance for the study.

The following research gaps were identified from the above literature referred:

1) The researches have not considered the demographic profile acquired in the banking sector specific to private and foreign banks

2) All dimensions and attributes of change and innovation are not studied viz. **Change** (Leadership Alignment, Stakeholder Engagement, Communication, Training and Organizational Design) **Innovation** (Collaboration, Ideation, Implementation and Value Creation)

3) The study is limited to digital transformation in the overall banking and financial services sector and not specifically in the private and foreign banks in Mumbai

4) The literature review does not consider the impact of digital transformation through change and innovation in the private and foreign banks in Mumbai

5) The literature review focuses a lot on the transformation brought in by the payments/fintech industry in India

6) The concept of what drives the bank to implement a new digital model and how does it release its impact is still unexplored

Thus from the literature it is analyzed that nothing much has been done in the area of impact of change and innovation on digital transformation in the Indian arena and also specially in Mumbai region. Thus the researcher has undertaken the study and made an attempt to fill the gap.

THEORITICAL CONSTRUCT:

A construct refers to a concept or characteristic that can't be directly observed, but can be measured by observing other indicators that are associated with it.

Constructs can be characteristics of individuals, such as intelligence, obesity, job satisfaction, or depression; they can also be broader concepts applied to organizations or social groups, such as gender equality, corporate social responsibility, or freedom of speech.

The above literature review demonstrates that complete study on the real and intrinsic factors, affecting the digital transformation in the private and foreign banks in India was not done, though separate analysis were done on individual factors viz. Customer Relationship Management, Artificial Intelligence and Machine Learning, Fintech, Payments etc. by these research agencies and each of them had a view point on what could be the reason contributing to the increase in adoption of digitalization of the banking industry in India.

Further, most of the studies were focused more on what are the technologies used to execute digital transformation and however none contribute to understand the important factor of why and how digital transformation has impacted the functioning of a bank.

Originally, the banking business model has focused on economies of scale and the combination of retail, investment an overseas banking. Nowadays, a development towards decentralization and upcoming digital trends force banks to adapt their business model to stay competitive. This threat is also visible through the observable reduction in physical branches and an estimation of 30 percent to 50 percent net profit at risk.

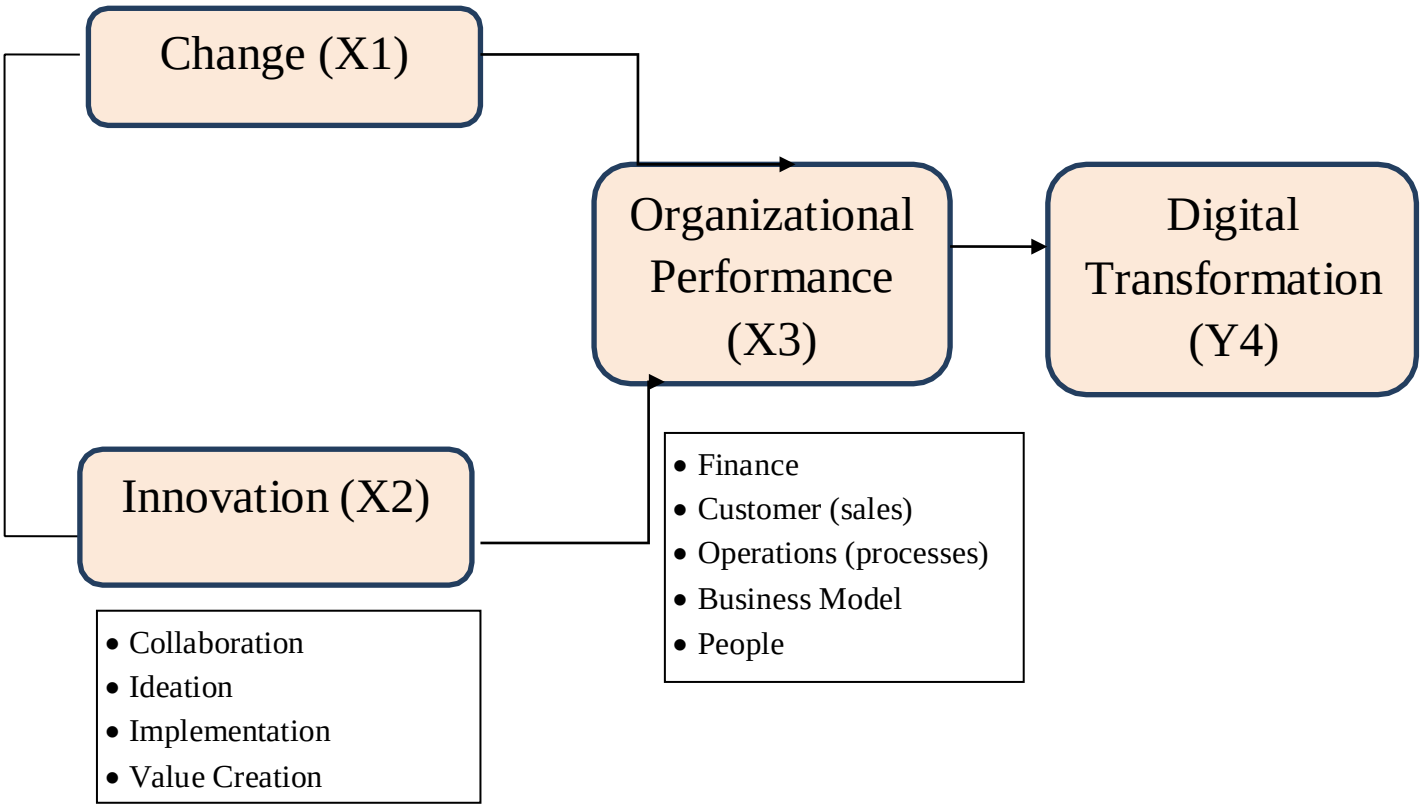
Banks as an institution are still needed. Thus, the probability that banks will diminish all together is very low however digitalization has changed the internal and external landscape by having an influence on the competitive environment and the consequential need for a change in business models.

There is a definite need for banks to change and adjust. They need to think about how they can keep the heavily regulated business in the core, but at the same time use the newest technologies to fulfill changing customer expectations, while keeping a high quality of the bank's products.

A company's ability to quickly adapt its strategy and business model is of high relevance in these times of constant technological change

Independent Variable **Moderating Variable** **Dependent Variable**

- Leadership Alignment
- Stakeholder Engagement
- Communication
- Training
- Organizational Design



- Finance
- Customer (sales)
- Operations (processes)
- Business Model
- People

- Collaboration
- Ideation
- Implementation
- Value Creation

4. OBJECTIVES OF STUDY

1) To study the significance of change and innovation on digital transformation of private and foreign banks

2) To understand the trends of digital transformation in various private and foreign banks

3) To identify the components of change and innovation on digital transformation of private and foreign banks

4) To ascertain the role of stakeholders and its impact on digital transformation of private and foreign banks

5) To examine the influence of change and innovation on organizational performance of private and foreign banks

6) To investigate the impact of components of organizational performance on digital transformation of private and foreign banks

7) To analyze the components of change and innovation impacting digital transformation of private and foreign banks

8) To develop strategies for digital transformation of private and foreign banks

IDENTIFICATION OF VARIABLES

Traditionally, banks spent most of their efforts, time and money on transaction execution, which is nothing but has become a very basic feature of their overall service. While providing expedient, consistent and precise transaction processing ability is still critical, it is believed that banks can learn from how retailers see the customers and adopt a robust and flexible approach in delivering value and experience to their customers, manage and improve their existing business operations.

Digital Transformation in banking is a technology driven change of its existing operating model. Digitalizing business functions like 1) Customers (Sales) 2) Finance 3) Operations (Processes) enables cost saving plus income from new revenue streams such as Fintech partnerships, payments, personal loans etc. Digital Transformation is executed by banks by undertaking change and innovation of their existing business models, transforming into new and agile ones.

To sum up,

1. Independent Variables:

- Change (X1)
- Innovation (X2***)***

In the literature review it has been found out that digital transformation may be primarily influenced by Innovation and Change. Innovation is incidental and Change is structural.

a) Components of Change:
Leadership Alignment, Stakeholder Engagement, Communication, Training, Organizational Design

b) Components of Innovation
Collaboration, Ideation, Implementation and Value Creation

2. Mediating Variable:

- Organization Performance (X3)

Components of Organization Performance: Finance, Customer and Operations

3. Dependent Variables:

- Digital Transformation (Y2)

Digital Transformation may be influenced by Organization Performance

Independent Variables:

1) **Change (X1):** As Heraclitus, who was a philosopher in Ancient Greece, has stated: "Everything changes and nothing stands still". In today's rapidly changing and digitalizing world, this statement is truer than ever. Basically, it is moving from a current state to a transition state and finally arriving at a future state. From this study parlance, change is movement of the banks from its as is operating model to the to be operating model across business function viz. Customer, Finance and Operations

   Components of Change:

   1) **Leadership Alignment:** Identify leaders and sponsors critical to the success of the project. Devise a plan to engage and influence them throughout the change initiative

   2) **Stakeholder Engagement:** Identify key stakeholders (employees, third parties, middle management etc.). Understand their influence and support for the project and devise engagement plans

   3) **Communication:** Shape the vision for the change. Build awareness of the change and define strategies to build understanding and engagement from the various stakeholders. Put in place effective feedback loops.

   4) **Training:** Assess the learning needs required to build the capabilities/behaviors to support proposed changes.

   5) **Organizational Design:** Define new organization designs/ structures as well as processes and role changes to support the proposed changes.

2) **Innovation (X2):** Innovation is a process by which a domain, a product, or a service is renewed and brought up to date by applying new processes, introducing new techniques, or establishing successful ideas to create new value. Examples in the context of this research include: Process Improvement, Product Development, Service Innovation, and Business Model Innovation.

   Components of Innovation:

   1) **Collaboration:** Collaborative process is more than working together. It means the ability to think together and to act on complex situations. Collaboration answers the question 1) what can we do together to listen and explore 2) How will we learn together to learn and adjust 3) What should we do together to focus and align 4) What will we do together to link and leverage

   2) **Ideation:** Ideation involves thinking like an Entrepreneur**.** Fresh, new ideas help any organization stand out. With intense competition for resources, organizations must differentiate in order to survive. As McKinsey (2016) says, digital transformation is seen as a do-or-die in the financial sector.

3) **Implementation:** Implementation involves putting the idea to use. Banks who engage the best people to champion their ideas and keep those great ideas moving forward implement digital transformation in a timely manner

4) **Value Creation:** There is no innovation if the new ideas aren't creating value. The purpose of innovation is to create business value. Value creation can be for stakeholders, customers, operations, finance etc.

Mediating Variable (X3)

Organizational Performance: Change and Innovation are executed with an intention to move from the existing state (as-is) to future state (to-be). Implementing change and innovation is a long term engagement with an average tenure of 15-18 months.
Assessing whether the bank has reached the desired to be state or not is possible using key performance indicator across the business functions where the transformation is being executed. In short Organization Performance indicates the impact of change and innovation on a particular business function

Components of Innovation:

1) **Finance:** Increase in cash flows, increase in valuation, increase in stock prices, partnership opportunities, new revenue streams resulting from offering value to customers etc.

2) **Customer :**a) Customer Understanding – analytics based segmentation, socially informed knowledge b) Top Line Growth – digitally enhances selling, predictive marketing, streamlined sales process c) Customer touch points – customer services (quick and time resolutions), cross channel coherence, self service

3) **Process :** a) Process digitization – performance improvement, new features b) worker enablement – working anywhere anytime, broader and faster communication, community knowledge sharing c) Performance management – operational transparency, data driven decision making

4) **Business :** a) Digitally modified business – product/service augmentation, transitioning physical to digital, digital wrappers b) New digital business – digital products, reshaping organizational boundaries c) Digital globalization – enterprise integration, redistribution decision authority, shared digital services**,** shift to banking as a service model

5) **People –** Recruitment of specialists, creation of centers of excellence or hubs

Dependent Variable:

Digital Transformation (Y): To be of future state of the business function, as planned, after successfully implementing the components of change and innovation thus resulting into tangible or intangible organization performance

5. HYPOTHESIS OF STUDY

Following from the literature, an assessment of performance over a three year period will be assessed as this was shown to be a standard evaluation period.

The hypothesis framed for the study is as below:

Hypothesis 1: Is Digital Transformation **essential** in banking and financial services?

$H1_0$: Digital Transformation is not highly essential in the banking and financial services sector
HI_A : Digital Transformation is highly in the banking and financial services sector

Hypothesis 2: Are the **components of change** (leadership alignment, communication, training and organizational design) **instrumental** in creating a **change**?

$H2_0$: There is no significant impact of components in creating a change
$H2_A$: There is a significant impact of components in creating a change

Hypothesis 3: Are **components of innovation** (collaboration, ideation, implementation and value creation) **instrumental** in creating **innovation**?

$H3_0$: : Components are not influential in in creating innovation
$H3_A$: Components are influential in in creating innovation

Hypothesis 4: Do stakeholders play a **significant role** in digital transformation?

$H4_0$: Stakeholders do not play a significant role in digital transformation
$H4_a$: Stakeholders play a significant role in digital transformation

Hypothesis 5: Is there a **significant association** between change and organization performance?

H_0 : There is no strong association between change and organizational performance
H_1 : There is a strong association between change and organizational performance

Hypothesis 6: Is there a **relationship** between innovation and organization performance?

H_0 : There is no strong relationship between innovation and organization performance
H_1 : There is a strong relationship between innovation and organization performance

Hypothesis 7: To evaluate the impact of **Organization Performance** on Digital Transformation

H_0 : There is no considerable effect of organization performance on digital transformation
H_1 : There is a considerable effect organization performance on digital transformation

6. RESEARCH METHODLOGY

1) Research Design: Research refers to the systematic method consisting of enunciating the problem, formulating a hypothesis, collecting the facts or data, analyzing the facts and reaching certain conclusions either in the form of solutions towards the concerned problem or in certain generalizations for some theoretical formulation. The study is descriptive in nature, thus it follows descriptive research design because it studies the attitudes of respondents on digital transformation by collecting their profile

2) Data Collection: Both primary and secondary data collection methods will be used.

a) Primary data collection method and structured questionnaire will be used and data collection techniques will assist to bring the real insight to understand the research problem at various levels Quantitative type of research will be applied by using the questionnaire, testing on a population of Private and Foreign Banks in Mumbai. Before conducting the actual research, pilot testing will be done by taking 15 professional individuals for the purpose of checking the reliability of the questionnaire. Hence, the primary data on dependent and independent variables will be collected.

b) Secondary data will be collected from allied sources like internet, newspapers, reference books, government offices – RBI, ADB etc.

3) Questionnaire Design: The questionnaire will be designed by using both measurement and rating scales. The measurement scales include nominal scale, ordinal scale and interval scale. Nominal scale has been used to understand the profile of the respondents like type of bank, age, experience, marital status, education, gender and salary.

Ordinal scale is a ranking scale used to rank the attributes for digital transformation. Interval scale is used as an attitude measurement scale on 1 -5, 1 = Extremely unimportant to 5 = Extremely important. In this study, interval scale is used to determine the importance of digital transformation through change and innovation.

Likert rating scale is used as a rating scale used to indicate the agreement or disagreement on a series of statements related to change, innovation and digital transformation on 1 – 5, 1 being Strongly disagree and 5 being Strongly agree.

4) Sample Design:

a) Total Population: The population for this study is the total employees of private and foreign banks in Mumbai

b) Sample Size: The Sample size out of the total population would be 300-350 Senior Level Employees who are Department Heads, Team Leaders, and Process Owners

c) Sampling Unit: Employees

d) Sampling Technique: A non-probabilistic sampling technique

e) Sampling Method: Convenient and quota sampling technique will be applied to determine the sample size from the data collected from respondents. This is because the population in Mumbai is widely scattered and the response shall be collected from places where the respondents are available.

5) Statistical Tools

The following statistical tools have been used to study the impact of change and innovation on digital transformation of private and foreign banks in Mumbai like

1. Chi Square
2. Pearson Correlation
3. Multiple Regression Analysis
4. Factor Analysis
5. Reliability Analysis
6. Structural Equation Modeling (SEM)
7. Simple Percentage Method

1) **Chi-Square** is called as goodness-of-fit test. It is used to test how observed frequencies differ from expected frequencies. Chi-Square test between two variables has been used to find out the symmetric association between the variables.

2) **Pearson Correlation** is a bivariate analysis which is used to determine the degree of association between the variables. It is also used to determine the strength and relationship between the variables. It is denoted by r called as Correlation Coefficient. The value of ranges r from +1 to -1[+1 indicates positive correlation, -1 indicates negative correlation]. If the value of r is between [0.75 to 1 (it is high association), 0.5 to 0.74 (moderate association), less than 0.5 (low association].

3) **Multiple Regression Analysis** has been used to test the effect of independent variables on dependent variable. This allows researchers to assess the strength of the relationship between an outcome (the dependent variable) and several predictor variables as well as the importance of each of the predictors to the relationship, often with the effect of other predictors statistically eliminated.

4) **Factor Analysis** is a multi-variate analysis used to test the variables simultaneously. It is used in data reduction and data summarization.

5) **Reliability Analysis** has been used to test the internal consistency among the variables. Factor Analysis is a multi-variate analysis used to test the variables simultaneously.

6) **Structural Equation Modeling (SEM)** has been used to test the equations of multiple regressions simultaneously.

7) **Simple Percentage Method** has been used where a percentage is used to determine relationship between the data series

7. SIGNIFICANCE OF STUDY

In light of the above, there are several researches conducted to analyze The Future of Banking through Digital Transformation, Trends and Challenges in Digital Transformation of Banks, Role of Fintech's in Digital Transformation, etc., however, there are very few researches that focus on Why is Digital Transformation is required in the banking/financial services sector?

This research will help in understanding the basic factors which drive digital transformation in banking and financial services since the start of the coronavirus; consumer demand for digital banking has never been greater. Unfortunately, many organizations that were delaying digital transformation efforts have been caught flat footed, without the ability to deliver a positive digital experience. The good news is that, with overall transaction volume low, the opportunity to build improved digital platforms has never been greater.

COVID-19 has become a digital banking 'reality check' for both financial institutions and the federal government. Despite all of the talk over the past several years about becoming a 'digital banking ecosystem', many basic digital banking deliverables are falling far short of expectations at a time when the consumer has few options.

2021 will see the entry of several new players into the banking ecosystem. The recommendation by the Reserve Bank of India's (RBI) working group on permitting corporate ownership in private banks will drive a new era in Indian banking. Aditya Birla group and Tata Sons that already have non-banking financial company (NBFC) arms bigger than many medium-sized banks will be keen to take up the opportunity. Along with larger players, the sector will also see the emergence of smaller Fintech players, offering advanced digital banking solutions. Blockchain and Artificial Intelligence (AI), which have been buzzwords for a few years now, will become mainstream. The virtual banking ecosystem will explode with hi-tech digital initiatives that new and existing players will introduce. This will spell growth for areas usually neglected by the banking operations and a huge step towards financial inclusivity.

2020 has been the year that no one expected. It forced banks to get out of their comfort of traditional banking business models and forcefully transform themselves, learn, unlearn and evolve in order to stay in business.

Impactful initiatives like combating loan cyber frauds, cybercrimes, voice recognition for customers, contactless payments, video interactions with banks, OCEN (Open Credit Enablement Network) etc. shows how by leveraging digital and technology the banking industry can be transformed resulting into low costs, high revenue, effective customer relationship management etc. ensuring ease and convenience of doing the banking business

8. SCOPE OF STUDY

Digital Transformation has been the norm across many industries since the last few years. Fast Moving Consumer Goods, Consumer Durables, Education, Banking, Insurance, Automobiles, Pharmaceuticals etc. have been the frontrunners in accepting and adopting digital transformation as a part of their business model.

After identifying the subject (research area) and referring the relevant literatures, it has been found that in most of the literature, the information technologies digital transformation have a wide area of application. Financial services and majorly banking was the first to weave digital transformation as a part of its way of doing business.

In India, banks can be classified into Commercial Banks (Public, Private, Foreign and RRB), Small Finance Banks, Payments Banks and Co-operative Banks. Due to such a wide area being available for research the study will be focusing my study on Private and Foreign Banks in Mumbai. Private and Foreign banks have been growing in India in the last 5 years. Private and Foreign banks have total loan market share of 40% in 2020 as compare to 20% in 2000 and their total deposit market share has increased from 20% in 2000 to 35% in 2020. Since a lot of digital transformation has been happing in the last 5 years these banks seem to have hit the nail on its head in terms of making digital transformation a success for them.

This research could be helpful for the banks and financial institutions based on the outcome. If the outcome of the study indicates which factors drive digital transformation then the banks and financial institutions in Mumbai could look at effectively and efficiently initiating and executing the digital transformation having a clear goal supported by Objective, Procedures, Stakeholders, Intensity or Components being the driving force beyond the transformations

Being aware of the drivers of digital transformation would enable the change management components like project plans, manpower, budget, investment etc. to assist in execution of the transformation in in an agile and timely manner.

Change is the only constant. If the outcome of the study indicates that there is no need for digital transformation or none of the factors drive digital transformation then the banks and financial institutions in Mumbai could consider making their business and operating models effective enough to support the constantly changing business environment and customer expectations

9. LIMITATIONS OF STUDY

1) The information collected for research might reveal variations, as the nature and extent of Digital Transformation varies in different areas of the banking sector.

2) The study focuses only on 5 drives of Digital Transformation namely Objective, Purpose, Intensity, Stakeholders and Components. The other drivers of digital transformation are not considered.

3) The study would be limited by the access to banks and financial institutions in Mumbai that the researcher has due to professional connections in the field of Banking and Financial Services Strategy.

4) Due to budget constraints for the research the sample size may reduce based on budgetary and topological and availability constraints. It would, however, be sufficient to encompass a fair and accurate indicator of the target population.

5) The study can't be exactly interpolated due to the volatile economic and political factors such as M&A of major banks in India, Restructuring, Rise of Fintech's, Covid-19 etc.

6) Due to strong competition and most banks in the sample may not share deeper information about technology they use, introduce and develop in real time. Thus, the perception and review of a bank digital transformation process could be distorted.

10. TENTATIVE CONCLUSION

The Indian Banking Industry is witnessing significant double digit growth. The sector is slowly emerging into a market and is becoming increasing, keeping with global trend and practices. Some of the key growth areas within the banking sector are private banking, wealth management and investment banking; they showed potential to become significant businesses in the coming years. With this high growth activity increasing competition in the banking sector has emerged as the key differentiator in the marketplace.

The primary target behind coordinating banking services with innovation is, without a doubt, accommodation. Innovation has now become commonplace to most people, to an extent that it impacts their way of life. It, at that point, becomes fundamental for businesses to separate themselves in the digital space with one of kind contributions.

The new experts have made the capacity to utilize the networks and data that they make around their customers, products and services to produce an exceptionally customized customer experience. Digital experience is unquestionably increasingly customized

In spite of all the challenges associated with digital transformation namely technology fitment, lack of training on computers, fear of fraud, high investment involved, non-timely completion of transformation shall result into escalation of costs etc. the future of banking is dependent on how digitally include the operating model of the bank is going to be.

Covid-19 has left banks with no choice; they must confront the challenges of digital structural change and redesign their operating models. By strategically connecting their businesses with the vast amount of data available to them, they can build intelligence on customers' evolving needs, which can drive value.

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